Grants-in-Aid to Gujarat

*305. SHRI LALITBHAI MEHTA: Will the Minister of FINANCE be pleased to state:

(a) the share as tax devolution and grants-in-aid to Gujarat as recommended by the Tenth and Eleventh Finance Commissions and what was the actual disbursements made for 1995—2000 and 2000—05;

(b) whether it is a fact that the actual amount disbursed is less than that recommended by respective Finance Commissions; and

(c) the details of proposal received from Gujarat for "State specific needs" for the consideration by Twelfth Finance Commission and what is the recommendation of the Twelfth Finance Commission in respect thereof ?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A Statement is laid on the Table of the House.

Statement

(a) to (c) The share in Central Taxes and Duties and Grants in aid, as recommended by Tenth Finance Commission (1995—2000) and Eleventh Finance Commission (2000—2005) and actual disbursements to Gujarat were as follows:

(Rs. in crore)

	Share in Central taxes and Duties		Grant-in-aid	
	Recommended	Disbursed	Recommended	Disbursed
10th Finance Commission (1995—2000)	8014.95	7511.03	860.64	855.64
11th Finance Commission (2000—2005)	10615.93	8764.01	1645.02	1358.22

The Government of Gujarat in its Memorandum, submitted to Twelfth Finance Commission (TFC), requested for grants for various state specific problems, including Rs. 1,000 crore for takling salinity ingress, particularly in the Saurashtra coastal areas. TFC made an assessment of all the indicated needs of the State, and recommended Rs. 200 crore as grant for tackling the salinity ingress problem. The details of the proposal, and

the recommendations of the TFC, with regard to state specific needs are as follows:

(Rs. in crore)

Proposals submitted by Government of Gujarat to TFC for tackling special problems			Amount recommended by TFC (2005—10) under State specific needs
Sl. No.	Purpose	Amount	
1.	Grant in aid to compensate annual loss of excise duty due to implementation of prohibition in the State	1025.00	—
2.	ADB and World Bank loan for earthquake relief and rehabilitation to be converted into grant	5843.00	—
3.	Strengthening of border and coastal security infrastucture	500.00	—
4.	Industrial pullution control measures	498.00	—
5.	Implementation of salinity ingress prevention scheme	1000.00	200
6.	Drinking water and for maintenance cost	3750.00	—
7.	Outstanding dues of participating States to expedite completion of the Sardar Sarovar project	2000.00	—
8.	Urban health	45.00	—
9.	Female Literacy	180.00	—

SHRI LALITBHAI MEHTA: Mr. Chairman, Sir, the primary objective of a Finance Commission is to give recommendation about the distribution of non-Plan revenue between Centre and States. If you look at the answer of the Minister, you will find that the recommendations of the Eleventh Finance Commission was to the tune of Rs. 12,260.95 crores and, as against that, the disbursement was to the tune of Rs. 10,132.23 crores. There is a gap and Rs. 2,128.72 crores less were given to the State of Gujarat. Likewise, it may be less in respect of all the States. But what does the Finance Minister propose to do to bridge this gap? The States are not getting the allocations as recommended by the Finance Commission. Mr. Chairman, Sir, if you look at the figures of the consecutive Finance Commissions, you will find that, as per the Tenth Finance Commission, the States' share in Central taxes was 91.04 per cent. As per the Eleventh Finance Commission, the share of the States, by way of devolution of taxes, has come down to 86.53 per cent. As per the recommendation of the Twelfth Finance Commission, the States' share in Central taxes has come down to 81.13 per cent. So, Commission after Commission, the States' share in Central taxes is coming down. What is he going to do in this regard?

SHRI P. CHIDAMBARAM: Sir, devolution of finances to the States falls under two broad categories; one is share in Central taxes and the other is grants-in-aid. So far as share in Central taxes is concerned, the hon. Member will kindly note and agree what is stated in a Finance Commission's report is only a projection. It is not based on any actual figure. The share in Central taxes is strictly according to the Constitutional formula. Whatever taxes are collected are shared. The Finance Commission may have made some ambitious projections of the collectable taxes. But the actual collection of taxes, as reflected in Budget year after year, may have been lower and that is the main reason why the share actually devolved to the States in Central taxes is lower, if you accept the simple projection of the Finance Commission.

As far as grants-in-aid are concerned, that is based on actual numbers given by the Finance Commission. Therefore, the real question is: Why did we give to Gujarat or to any other State less than what was fixed as grants-in-aid? Now, if you look at that particular figure, you will find that in the Tenth Finance Commission, that is, 1995—2000, the grants-in-aid recommended to Gujarat was Rs. 860 crores and Gujarat got Rs. 855 crores. Therefore, there is not much to complain. In the Eleventh Commission period, that is, 2000—2005, the grants-in-aid fixed by the Finance Commission for Gujarat was, Rs. 1,645 crores and the amount disbursed was Rs. 1,358 crores. Now, the period, of course, is 2000—2005. The significance of that will not be lost on the hon. Member. But the reasons for the difference between what is given in the Eleventh Finance Commission Report and the actual are two, in the case of Gujarat. The major shortfall was under Incentive Grant-Centre Share. The grants for incentive fund was released on the basis of a single monitorable fiscal indicator, which was five per cent improvement in the ratio of revenue deficit, to revenue, which was five per cent improvement in the ratio of revenue deficit to revenue receipts compared to the previous year. Since Gujarat failed during this period to meet this single monitorable fiscal indicator, it got less money than what was proposed. The second ground for shortfall was a sum of Rs. 81.48 crores under Upgradation and Special problem Grant. The shortfall was under police administration Rs. 6.6 crores, prison administration — Rs. 1.2 crores; fire services — Rs. 3.89 crores; judicial administration — Rs. 15.95 crores; health services — Rs. 7.2 crores; computer training — Rs. 6.42 crores; heritage promotion—

Rs. 2.99 crores, special problems - Rs. 37.23 crores. These grants are released to Gujarat based on fulfilment of certain conditionalties attached to the release of these grants, like submission of utilisation certificate, administrative approvals, etc. Since the State Government did not furnish the utilisation certificate or completion certificate during the prescribed period, they fell short of the target.

SHRI LALITBHAI MEHTA: Sir, the Minister has given the reply regarding tackling special problems by various States. In the report of the Twelfth Finance Commission, it has been stated that Gujarat demanded it for nine areas under the 'State specific needs', that is, urban development, sewage system, police force, tourism, youth services, general administration upgradation, fire safety services, etc. One of these is female literacy for which Gujarat demanded Rs. 180 crores. But the Twelfth Finance Commission has not at all looked into it. In spite of the fact that Gujarat is a very progressive State, we are still lacking so far as female literacy is concerned especially in some backward districts. Sir, Gujarat has...

MR. CHAIRMAN: Come to the question.

SHRI LALITBHAI MEHTA: Gujarat has taken initiative to improve the female literacy rate. Would the Finance Minister take this thing into consideration? All the States have considered for more than one areas under the 'State specific needs'; whereas, Gujarat has been considered for only one area, that is, 'salinity ingress', under the 'State specific needs' and that too to the tune of only 20 per cent of what Gujarat had demanded.

SHRI P. CHIDAMBARAM: Sir, the hon. Member is right. Special problems were posed by various State governments. Gujarat also posed its special problems. The Twelfth Finance Commission has given Gujarat a grant under the head 'Implementation of Salinity Ingress Prevention Scheme'. Gujarat has not been given anything under 'female literacy'. I am sorry, I have to accept the Twelfth Finance Commission as a package. I think Gujarat ought to have made a more persuasive cause before the Twelfth Finance commission. I share his concern, but I cannot do anything.

*306. [The questioner Shri Janardhana Poojary was absent. For answer *vide* page 33]